



FHA INFO 2024-39

June 17, 2024

### **FHA Seeks Feedback on Updates to its Origination Defect Taxonomy to Include Fraud or Misrepresentation Involving Sponsored Third-Party Originators**

Today, the Federal Housing Administration (FHA) posted to its [Single Family Housing Drafting Table](#) (Drafting Table) a draft Mortgagee Letter (Draft ML), *Fraud or Misrepresentation Involving Sponsored Third-Party Originators* for public feedback.

This draft ML proposes changes that would update FHA's Defect Taxonomy to include fraud or material misrepresentation involving a Third-Party Originator (TPO) as a Tier 1 severity defect. Mortgagees are responsible for the actions of their sponsored TPOs under 24 CFR § 202.8(a)(3) and Handbook 4000.1 Section I.A.5.a.v. FHA is proposing these changes to better align the Defect Taxonomy with these existing requirements and mitigate risk to the Mutual Mortgage Insurance Fund (MMI Fund). The provisions of this Draft ML apply to all FHA Title II Single Family mortgage programs.

FHA's Defect Taxonomy is its quality assurance framework for all Title II loan reviews. It provides a consistent methodology for identifying defects at the loan level, useful data, feedback through structured categorization of defects, and balance between FHA's risk management and quality assurance business processes.

Interested stakeholders are encouraged to thoroughly review the Draft ML and provide feedback through June 24, 2024. Instructions for viewing the Draft ML and providing feedback are available on the [Drafting Table](#). FHA will carefully consider all feedback received before publishing a final ML.

As a reminder, this Draft ML is not official Departmental policy and cannot be used in connection with any FHA-insured mortgage until finalized. FHA's existing policies remain in effect until amended.

**Need Support? Contact the FHA Resource Center.**

- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at [www.hud.gov/answers](http://www.hud.gov/answers).
- E-mail [answers@hud.gov](mailto:answers@hud.gov). Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

### About FHA INFO

FHA INFO is a publication of the Federal Housing Administration's (FHA), Office of Single Family Housing, U.S. Department of Housing and Urban Development, 451 7th Street, SW, Washington, DC 20410. We safeguard our lists and do not rent, sell, or permit the use of our lists by others, at any time, for any reason.

Visit the [FHA INFO Archives](#) to access FHA INFO messages. For additional information and resources, visit the FHA Single Family Housing main page on [HUD.gov](http://HUD.gov)

Stay Connected with the Office of Housing and the Federal Housing Administration:



SUBSCRIBER SERVICES:  
[Manage Subscriptions](#) | [Help](#)

---

This email was sent using GovDelivery Communications Cloud on behalf of the Office of Housing and the Federal Housing Administration, U.S. Department of Housing and Urban Development, 451 7th St. SW, Washington, DC 20410

**GOVDELIVERY** 